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Order 99-5-10
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UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 21st day of May, 1999

Joint Application of

ALITALIA-LINEE AEREE ITALIANE-S.p.A.
KLM ROYAL DUTCH AIRLINES
NORTHWEST AIRLINES, INC.

for approval of and Antitrust Immunity for Alliance
Agreements pursuant to 49 U.S.C. §§ 41308 and
41309

Docket OST-1999-5674 - 3

ORDER

On May 11, 1999, Alitalia-Linee Aeree Italiane-S. p. A., KLM Royal Dutch Airlines, and Northwest Airlines, Inc. (collectively the "joint applicants") filed an application for approval of and antitrust immunity for an Alliance Agreement and a Coordination Agreement. They urge the Department to grant the request for a five-year term.

According to the joint applicants, the objective of the Alliance/Coordination Agreements are to establish a legal framework enabling the expansion of the existing **Northwest/KLM** alliance to include Alitalia, while permitting each of the three airlines to retain its independent corporate and national identity. They maintain that the proposed tripartite alliance will be pro-competitive and pro-consumer, delivering substantial new online service benefits as the hub-and-spoke systems of the joint applicants are combined to form a single, integrated network.

Our preliminary examination indicates that the joint applicants did not submit certain relevant information. In order to consider this matter fairly and expeditiously, we require the joint applicants to provide the Department with certain relevant information; specifically, that they:

- A. Provide all joint applicants' corporate documents (in English or with English translations) dated within the last two years that address competition in the U.S.-transatlantic markets.
- B. Provide all joint applicants' studies, surveys, analyses and reports (in English or with English translations) dated within the last two years, which were prepared by or for any

officer(s) or director(s) (or, individual(s) exercising similar functions) for the purpose of evaluating or analyzing the proposed enhanced alliance with respect to market shares, competition, competitors, markets, potential for traffic growth or expansion into geographic markets, and indicate (if not contained in the document itself) the date of preparation, the name and title of each individual who prepared each such document.

- C. Provide Origin & Destination (O&D) traffic for the most recent 12-month period available for Alitalia's top 100 markets with a U.S. gateway city as a passenger origin or destination point.
- D. In addition to the information requested in the preceding item, provide an analysis of the effect on international competition of the proposed closer arrangements among the joint applicants. Specifically, address the competitive effect in city-pair markets where Northwest and/or KLM now compete with Continental and/or Alitalia.
- E. Describe the extent to which airport facilities, including gates and slots, are available to U.S. flag carriers who want to begin or increase service at Italian cities served by Alitalia.
- F. Discuss significant service and equipment changes anticipated by the joint applicants, and the integration of Northwest's domestic route system with Alitalia's international route system.
- G. Describe any effect of granting the application on Civil Reserve Air Fleet (CRAF) commitments of Northwest.¹
- H. Discuss any labor effects of the proposed alliance, and whether, how and to what extent employees of the applicant airlines will be integrated. In particular, state whether the transaction or a similar type of transaction had been the subject of recent collective bargaining discussions between Northwest and its unions. Provide a discussion of whether both union and non-union employees adversely affected by the alliance would be compensated or otherwise protected.
- I. Discuss the status of Alitalia's labor dispute with the International Association of Machinists and Aerospace Workers. Describe what steps the parties are now taking or will be taking to resolve this labor dispute.

Since we are requiring the joint applicants to file additional information, we defer the otherwise applicable 21 -day comment deadline until further notice. When we have determined that the record of this case is complete, we will announce an appropriate procedural schedule for reaching a decision expeditiously.

¹ An informational copy of the application together with the CRAF information should be served on the Department of Defense at U.S. Transom/TCJ5, Attention: Air Mobility Analysis, 508 Scott Drive, Scott AFB, IL 62225-5357.

Accordingly:

1. We direct Alitalia-Linee Aeree Italiane-S . p .A., **KLM** Royal Dutch Airlines, and Northwest Airlines, Inc. to submit the additional information set forth in this order, as a supplement to their joint application;
2. We defer the 21-day deadline for the filing of comments set forth in 14 CFR Part 303 until further notice;
3. Upon our determination that the joint application is complete, we will establish a procedural schedule for comments and such other responsive pleadings as may be determined necessary to decide this matter fairly and expeditiously; and
4. We shall serve this order on all persons on the service list in this docket, the Ambassador of Italy in Washington, D.C. ; the Department of State (Office of Aviation); the Department of Justice (Antitrust Division); the Federal Aviation Administration (AFS-200); the Department of Defense.

By:

A. BRADLEY MIMS

Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

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